

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING
AGREED-UPON PROCEDURES
TOWN OF HYDRO, OKLAHOMA &
HYDRO DEVELOPMENT AUTHORITY
JUNE 30, 2013**

**TOWN OF HYDRO, OKLAHOMA &
HYDRO DEVELOPMENT AUTHORITY**

JUNE 30, 2013

TABLE OF CONTENTS

Town Officials

**Independent Accountant's Report on Applying
Agreed-Upon Procedures**

Exhibits

Summary of Changes in Fund Balances	Exhibit 1-00
Budgetary Comparison Schedule - Cash Basis General Fund.....	Exhibit 2-00
Budgetary Comparison Schedule - Cash Basis Fire Equipment Fund	Exhibit 3-00
Budgetary Comparison Schedule - Cash Basis Grant Fund	Exhibit 4-00
Budgetary Comparison Schedule - Cash Basis 1% Sales Tax Fund	Exhibit 5-00
Hydro Development Authority Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	Exhibit 6-00

**TOWN OF HYDRO, OKLAHOMA &
HYDRO DEVELOPMENT AUTHORITY**

TOWN OFFICIALS

JUNE 30, 2013

Board of Trustees

Mayor	Ralph May
Councilman	Blake Bogdan
Councilman	Randy Sweeney
Councilman	Johnny Boshman
Councilman	Jackie Cloninger

Town Treasurer and Clerk

Joanna Slagell



BRITTON, KUYKENDALL, & MILLER
CERTIFIED PUBLIC ACCOUNTANTS

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RICK D. MILLER

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Specified Users of the Report:

Town Board, Town of Hydro
Hydro, Oklahoma

Trustees of the Hydro Development Authority
Hydro, Oklahoma

Oklahoma Office of State Auditor and Inspector
Oklahoma City, Oklahoma

Oklahoma Department of Commerce
Oklahoma City, Oklahoma

We have compiled the accompanying Summary of Changes in Fund Balances of the Town of Hydro, Oklahoma and Hydro Development Authority as of and for the fiscal year ended June 30, 2013, and the related Budgetary Comparison Schedules of the General Fund, Fire Equipment Fund, Grant Fund and 1% Sales Tax Fund - Cash Basis, and the Statement of Revenues, Expenses and Changes in Fund Net Assets of the Proprietary Fund as of and for the fiscal year ended June 30, 2013, included in the accompanying prescribed form. We have not audited or reviewed the prescribed financial statements and, accordingly, do not express an opinion or provide any assurance about whether the prescribed financial statements are in accordance with the basis of accounting prescribed by Oklahoma Statutes, that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The management of the Town of Hydro, Oklahoma and Hydro Development Authority is responsible for the preparation and fair presentation of the prescribed financial statements in accordance with the basis of accounting prescribed by Oklahoma Statutes, that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the prescribed financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supporting information as prescribed by Oklahoma Statutes that is the representation of management without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the prescribed financial statements.

These prescribed financial statements have been prepared in a format and basis of accounting, as prescribed by Oklahoma Statutes, that demonstrates compliance with the cash basis and budget laws of the State of Oklahoma, which differ from accounting principles generally accepted in the United States of America. Accordingly, these prescribed forms are not designed for those who are not informed about such differences.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Town's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Additionally, we have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, and as defined within the applicable state laws of the State of Oklahoma solely to assist the Town and Hydro Development Authority in meeting their financial accountability requirements as prescribed by Oklahoma Statutes §11-17 (105-107) and §60-180.1-.3 and evaluating compliance with specified legal or contractual requirements for the fiscal year ended June 30, 2013. Management of the Town of Hydro is responsible for the Town's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the additional requirements prescribed in Oklahoma Statutes §11-17 (105-107) and §60-180.1-.3. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As to the Town of Hydro, Oklahoma as of and for the fiscal year ended June 30, 2013:

1. Procedures Performed: From the Town's trial balances, we prepared a schedule of changes in fund balances for each fund (See accompanying Exhibit 1-00) and compared the schedule results to the statutory prohibition of creating fund balance deficits to report any noted instances of noncompliance.

Findings: No instances noted.

2. Procedures Performed: From the Town's trial balances, we prepared a budget and actual financial schedule for the General Fund and any other significant funds listing separately each federal fund (See accompanying Exhibit 2-00, 3-00, 4-00 and 5-00) and compared the actual expenditures and encumbrances reported to the authorized appropriations to report any noted instances of noncompliance with the appropriation limitations.

Findings: No instances noted.

3. Procedures Performed: We agreed the Town's material bank account balances to bank statements, and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

Findings: During our procedures performed for the General Fund, we noted where the Town's accounting records were not in agreement with the corresponding bank account balance. Procedures should be performed monthly to reconcile the bank account balances to the accounting records to ensure proper and accurate postings.

4. Procedures Performed: We compared the Town's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: No instances noted.

5. Procedures Performed: We compared use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: During our procedures performed for the Fire Equipment Fund, we noted where the Town borrowed \$69,010.00 from the Bank of Hydro, Hydro Oklahoma on July 27, 2012 to help with the purchase of a 2005 Ford LDR145 Rescue Vehicle. At fiscal year ending June 30, 2013, the balance owed on this loan was \$20,313.62. This loan the Fire Equipment Fund obtained under the umbrella of the Town of Hydro is a violation of the Oklahoma Constitutional Debt Limitation contained in Article 10, Section 26 of the Oklahoma Constitution. That section provides that Oklahoma municipalities may not incur debt to be paid out of revenues of a future fiscal year unless the debt is approved by three-fifths of the voters thereof, and general obligation bonds are issued to retire the debt. Payment of the bond obligation is accomplished by a mill levy on real property located within the municipality, and the constitution limits the indebtedness to 10% of the valuation of taxable property therein.

The regulations for borrowing funds are structured differently for Public Trusts or Authorities such as the Hydro Development Authority.

6. Procedures Performed: We compared the accounting for the Town's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

Findings: No instances noted.

7. Procedures Performed: We compared the Town's account balances in reserve accounts to contractually required balances and debt service coverage requirements of bond indentures to the actual coverage to report any noted instances of noncompliance.

Findings: No instances noted.

As to the Hydro Development Authority as of and for the fiscal year ended June 30, 2013:

1. Procedures Performed: From the Authority's trial balances, we prepared a schedule of revenues, expenditures/expenses and changes in fund balances/net assets for each fund (See accompanying Exhibit 6-00) and compared the schedule results to the applicable trust prohibitions for creating fund balance deficits to report any noted instances of noncompliance.

Findings: No instances noted.

2. Procedures Performed: We agreed the Authority's material bank account balances to bank statements, and traced the timely clearance of significant reconciling items to report any significant or unusual instances of reconciling items that have not cleared.

Findings: No instances noted.

3. Procedures Performed: We compared the Authority's uninsured deposits to fair value of pledged collateral to report any amounts of uninsured and uncollateralized deposits.

Findings: No instances noted.

4. Procedures Performed: We compared the Authority's use of material-restricted revenues and resources to their restrictions to report any noted instances of noncompliance.

Findings: No instances noted.

5. Procedures Performed: We compared the accounting for the Authority's activities by fund to the legal and contractual requirements for separate funds to report any noted instances of noncompliance.

Findings: No instances noted.

6. Procedures Performed: We compared the Authority's account balances in reserve accounts to contractually required balances and debt service coverage requirements of bond indentures to the actual coverage to report any noted instances of noncompliance.

Findings: No instances noted.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

Britton, Kuykendall & Miller

BRITTON, KUYKENDALL, AND MILLER
Certified Public Accountants

Weatherford, Oklahoma
December 13, 2013

Town of Hydro, Oklahoma &
Hydro Development Authority
Summary of Changes in Fund Balances
For the Year Ended June 30, 2013

<u>Town:</u>	Beginning of Year Fund Balance	Receipts	Disbursements	Transfers	End of Year Fund Balance
General Fund	\$ 156,997.16	\$ 307,921.06	\$ 473,068.80	\$ 45,000.00	\$ 36,849.42
Street & Alley Fund	83,180.87	7,969.72	6,313.45	0.00	84,837.14
Grant Fund	0.00	26,588.30	26,588.30	0.00	0.00
Fire Equipment Fund	39,658.60	193,893.56	186,970.03	0.00	46,582.13
EMS Fund	12,335.71	8,402.13	13,246.25	0.00	7,491.59
Penalty Assessment Fund	257.99	551.00	634.20	0.00	174.79
Depot Fund	2,742.72	9.61	0.00	0.00	2,752.33
1% Sales Tax Fund	22,638.02	70,871.28	24,820.69	0.00	68,688.61
Meter Deposit Fund	4,734.83	303.20	0.00	0.00	5,038.03
Town Subtotal	<u>322,545.90</u>	<u>616,509.86</u>	<u>731,641.72</u>	<u>45,000.00</u>	<u>252,414.04</u>
<u>Enterprise Funds:</u>					
Hydro Development Authority	<u>491,378.45</u>	<u>465,095.77</u>	<u>189,718.20</u>	<u>(45,000.00)</u>	<u>721,756.02</u>
Enterprise Funds Subtotal	<u>491,378.45</u>	<u>465,095.77</u>	<u>189,718.20</u>	<u>(45,000.00)</u>	<u>721,756.02</u>
Grand Total	<u>\$ 813,924.35</u>	<u>\$ 1,081,605.63</u>	<u>\$ 921,359.92</u>	<u>\$ 0.00</u>	<u>\$ 974,170.06</u>

See Accountant's Report.

Town of Hydro, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 General Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
<u>Revenues</u>				
Sales Tax	\$ 223,716.24	\$ 223,716.24	\$ 180,122.30	\$ (43,593.94)
Use Tax	10,727.62	10,727.62	0.00	(10,727.62)
Water	47,905.14	47,905.14	16,453.65	(31,451.49)
Garbage	20,218.05	20,218.05	7,516.00	(12,702.05)
Surcharges	31,122.00	31,122.00	37,093.00	5,971.00
Fees and Penalties	1,176.98	1,176.98	1,404.25	227.27
Interest	0.00	0.00	720.45	720.45
Alcohol Beverage Tax	7,411.31	7,411.31	8,545.65	1,134.34
Franchise Tax	23,524.48	23,524.48	23,551.20	26.72
Miscellaneous	0.00	0.00	7,429.15	7,429.15
Dog Pound Fees	0.00	0.00	100.00	100.00
Police Fines	11,880.05	11,880.05	8,959.25	(2,920.80)
Cigar Tax	0.00	0.00	3,245.22	3,245.22
Donations	0.00	0.00	0.00	0.00
Oil and Gas Income	0.00	0.00	0.00	0.00
Rental Income	0.00	0.00	1,223.00	1,223.00
Swimming Pool Admissions	0.00	0.00	11,557.94	11,557.94
Total Revenues	377,681.87	377,681.87	307,921.06	(69,760.81)
<u>Expenditures</u>				
Personal Services	250,000.00	255,000.00	254,901.47	98.53
Maintenance and Operations	234,679.03	229,679.03	218,167.33	11,511.70
Capital Outlay	50,000.00	50,000.00	0.00	50,000.00
Total Expenditures	534,679.03	534,679.03	473,068.80	61,610.23
Excess Revenues Over (Under) Total Expenditures	(156,997.16)	(156,997.16)	(165,147.74)	(8,150.58)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0.00	0.00	45,000.00	45,000.00
Operating Transfers Out	0.00	0.00	0.00	0.00
Adjustments to Prior Year Warrants Outstanding	0.00	0.00	0.00	0.00
Net Other Financing Sources (Uses)	0.00	0.00	45,000.00	45,000.00
Excess of Revenues and Other Sources over Expenditures and Other Uses	(156,997.16)	(156,997.16)	(120,147.74)	36,849.42
Budgetary Fund Balance, Beginning	156,997.16	156,997.16	156,997.16	0.00
Budgetary Fund Balance, Ending	\$ 0.00	\$ 0.00	36,849.42	\$ 36,849.42
Adjustments to Conform with GAAP: Revenue Accruals			0.00	
Fund Balance, End of Year (GAAP Basis)			\$ 36,849.42	

See Accountant's Report.

Town of Hydro, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 Fire Equipment Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
<u>Revenues</u>				Favorable (Unfavorable)
Interest	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Sales Tax	0.00	0.00	5,984.94	5,984.94
Miscellaneous	0.00	0.00	603.38	603.38
Donations	0.00	95,000.00	113,798.87	18,798.87
Proceeds from Sale of Property	0.00	0.00	0.00	0.00
State Funding Revenue	0.00	4,484.35	4,484.35	0.00
ASCOG REAP Grant	0.00	0.00	0.00	0.00
FEMA Assistance to Firefighters Grant	0.00	0.00	0.00	0.00
BIA Grant	0.00	0.00	0.00	0.00
Total Revenues	0.00	99,484.35	124,871.54	25,387.19
<u>Expenditures</u>				
Maintenance and Operations	30,000.00	30,000.00	29,740.24	259.76
Capital Outlay	9,658.60	109,142.95	108,533.31	609.64
Total Expenditures	39,658.60	139,142.95	138,273.55	869.40
Excess Revenues Over (Under)				
Total Expenditures	(39,658.60)	(39,658.60)	(13,402.01)	26,256.59
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0.00	0.00	0.00	0.00
Operating Transfers Out	0.00	0.00	0.00	0.00
Proceeds of Long-Term Debt	0.00	69,010.00	69,010.00	0.00
Reduction of Long-Term Debt	0.00	(69,010.00)	(48,696.48)	20,313.52
Adjustments to Prior Year Warrants	0.00	0.00	12.02	12.02
Net Other Financing Sources (Uses)	0.00	0.00	20,325.54	20,325.54
Excess of Revenues and Other Sources				
over Expenditures and Other Uses	(39,658.60)	(39,658.60)	6,923.53	46,582.13
Budgetary Fund Balance, Beginning	39,658.60	39,658.60	39,658.60	0.00
Budgetary Fund Balance, Ending	\$ 0.00	\$ 0.00	\$ 46,582.13	\$ 46,582.13

See Accountant's Report.

Town of Hydro, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 Grant Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
<u>Revenues</u>				Favorable (Unfavorable)
Interest	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Miscellaneous	0.00	0.00	0.00	0.00
Donations	0.00	0.00	0.00	0.00
ASCOG REAP Grant	0.00	26,588.30	26,588.30	0.00
CDBG Grant	0.00	0.00	0.00	0.00
Total Revenues	0.00	26,588.30	26,588.30	0.00
<u>Expenditures</u>				
Maintenance and Operations	0.00	0.00	0.00	0.00
Capital Outlay	0.00	26,588.30	26,588.30	0.00
Total Expenditures	0.00	26,588.30	26,588.30	0.00
Excess Revenues Over (Under)				
Total Expenditures	0.00	0.00	0.00	0.00
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0.00	0.00	0.00	0.00
Operating Transfers Out	0.00	0.00	0.00	0.00
Net Other Financing Sources (Uses)	0.00	0.00	0.00	0.00
Excess of Revenues and Other Sources				
over Expenditures and Other Uses	0.00	0.00	0.00	0.00
Budgetary Fund Balance, Beginning	0.00	0.00	0.00	0.00
Budgetary Fund Balance, Ending	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

See Accountant's Report.

Town of Hydro, Oklahoma
 Budgetary Comparison Schedule - Cash Basis
 1% Sales Tax Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
<u>Revenues</u>				Favorable (Unfavorable)
Sales Tax	\$ 0.00	\$ 3,000.00	\$ 61,582.31	\$ 58,582.31
Use Tax	0.00	0.00	9,288.97	9,288.97
Miscellaneous	0.00	0.00	0.00	0.00
Total Revenues	0.00	3,000.00	70,871.28	67,871.28
<u>Expenditures</u>				
Maintenance and Operations	0.00	0.00	0.00	0.00
Capital Outlay	22,638.02	25,638.02	24,820.69	817.33
Total Expenditures	22,638.02	25,638.02	24,820.69	817.33
Excess Revenues Over (Under)				
Total Expenditures	(22,638.02)	(22,638.02)	46,050.59	68,688.61
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0.00	0.00	0.00	0.00
Operating Transfers Out	0.00	0.00	0.00	0.00
Net Other Financing Sources (Uses)	0.00	0.00	0.00	0.00
Excess of Revenues and Other Sources				
over Expenditures and Other Uses	(22,638.02)	(22,638.02)	46,050.59	68,688.61
Budgetary Fund Balance, Beginning	22,638.02	22,638.02	22,638.02	0.00
Budgetary Fund Balance, Ending	\$ 0.00	\$ 0.00	\$ 68,688.61	\$ 68,688.61

See Accountant's Report.

Hydro Development Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund
Operating Revenues:	
Water	\$ 205,022.59
Sewer	140,508.48
Garbage	91,697.84
Use Tax	27,866.86
Miscellaneous Revenue	0.00
	<u>465,095.77</u>
Total Operating Revenues	
Operating Expenses:	
Sewer:	
Personal Services	1,795.83
Maintenance and Operations	26,133.18
Garbage:	
Maintenance and Operations	89,330.49
General Operations:	
Interest Expense	72,257.70
Depreciation	201.00
	<u>189,718.20</u>
Total Operating Expenses	
Operating Income (Loss)	<u>275,377.57</u>
Non-Operating Revenues (Expenses):	
Interest Revenue	0.00
Miscellaneous	0.00
	<u>0.00</u>
Total Non-Operating Revenues (Expenses)	
Income (Loss) before Operating Transfers	<u>275,377.57</u>
Operating Transfers:	
Operating Transfers In	0.00
Operating Transfers Out	(45,000.00)
	<u>(45,000.00)</u>
Total Operating Transfers	
Net Income (Loss)	230,377.57
Net Assets - Beginning of Year	491,378.45
Prior Period Adjustments	0.00
	<u>0.00</u>
Net Assets - End of Year	<u>\$ 721,756.02</u>

See Accountant's Report.